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September 3, 2004

Case # 2005-00112

Mr. Bruce Shipley
General Manager
City of Henderson, Kentucky
Henderson Water Utility - Water and Sewer Commission
Henderson, KY 42420

RECEIVED

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PUBLIC SERVICE COMMISSION

RE: Water Rate Calculation-Beech Grove Water Systems, Inc.

Dear Mr. Shipley:

We have examined the water intake, treatment, transmission, and distribution expenses (exclusive of the North Plant) for the period from July 1, 2003 through June 30, 2004. These figures are taken from financial statements as audited by our firm.

We have also reviewed the records of water pumped for the same period. The purpose of these reviews was to determine the rate increase to the Beech Grove Water Systems, Inc. The tabulations of expenses and pumping data are attached as a part of this report.

Based on this review, we have determined that allowable expenses ended for the fiscal year June 30, 2004, have increased by 1.44% when compared with the allowable expenses from the audit of the prior fiscal year.

Therefore the following rates which have been increased by 1.44% over the previous fiscal year should be charged:

1 <sup>st</sup> 4,000,000 gallons	\$2.71
next 1,000,000 gallons	\$2.53
next 1,000,000 gallons	\$2.28
over 6,000,000 gallons	\$2.04

Should you have any questions regarding this report, please contact our office.

Sincerely,

NEEL & COMPANY, LLP

Malcolm E. Neel, CPA

Partner

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South Plan Water Expense (including depreciation)	2002-2003	2003-2004
Water intake and treatment Water transmission and distribution Interest expense	913,310 74,118 <u>74,333</u>	939,606 68,621 <u>68,409</u>
Total South Plant Water Expense	\$1,061,761	\$1,076,636
Less meter reading, billing and collection expense allocable to South Plant water operations	(30,270)	(30,270)
Net South Plant Water Expense applicable to City of Beach Grove water rate calculation	<u>\$1,031,491</u>	<u>\$1,046,366</u>
Increase		1.44%



Case # 2005-00112

March 12, 2004

Mr. Jan Kuegel, Manager West Daviess County Water District 3400 Bittel Road Owensboro, KY 42301

Re: Wholesale Water Rate Increase

## Dear Jan:

We have made the required rate calculations using projected usages and costs for the fiscal year ending May 31, 2004, as per the terms of our contract. A copy of these calculations is enclosed, as well as a copy of fiscal year 2003 true-up calculations.

Based on these calculations, the rate charged to the West Daviess County Water District will become \$1.342 per thousand gallons effective June 1, 2004, an increase of 8% verses fiscal year 2004. The ultimate per unit cost to West District is dependent upon the annual district usage.

Future year calculations may result in fluctuations in the rate per thousand gallons. The formal calculation will continue to be prepared annually. You will receive official notification of any change in your rate by March 16<sup>th</sup> of each year, as required by contract.

OMU issued water bonds in May 2003 to fund a number of upcoming capital projects, including a water tank to replace the existing tank on West Fourth Street. Virtually all of the capital projects included in this bond issue are related to new well field, storage, or production plant facilities. Future rate calculations will include the additional debt service required on the new bonds after the capitalization period is complete.

Based on the projected debt service schedule for this bond issue along with projected calculations for future fiscal years, West Daviess County Water District will likely experience additional increases in each of the next two years.

Sincerely,

Robert E, Hunzinger

General Manager

Cc: Kentucky Public Service Commission

Enclosures

ich Grove Water System
Box 118
ch Grove, Ky 42322-0118

